



# INSIGHT

Third Quarter | 2015

EAGLE | Asset  
Management



## Eagle Asset Management

Investing with Intelligence, Experience and Conviction.

### Intelligence

Intelligence is more than an ability to learn. It is also the talent to discern important information and identify opportunities. From idea generation and proprietary research to portfolio construction and stock selection, Eagle managers employ keen insight and intelligent processes to build portfolios that seek to add alpha over time.

### Experience

There is no substitute for experience in the investment world, where lessons are taught and learned during every market cycle. Experience provides valuable knowledge into portfolio and stock-specific risk and enables our managers to construct portfolios that we hope limit downside risk.

### Conviction

Staying the course is often a manager's greatest challenge. At Eagle, we are committed to a long-term investment approach. We do not endeavor to chase short-term market favorites. This sometimes will hurt performance in strong bull markets, but we do not believe that chasing trends adds value over the long term.

For more information, please visit [eagleasset.com](http://eagleasset.com)

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## About Eagle

Eagle Asset Management provides institutional and individual investors with a broad array of separately managed account and mutual fund products designed to meet long-term goals. Founded in 1976, Eagle was built on the cornerstones of intelligence, experience and conviction that we believe clients expect from their investment managers.

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# Eagle Small Cap Growth and Mid Cap Growth

## Small Cap Growth

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Managing Director  
and Portfolio Manager

### Eric Mintz, CFA

Portfolio Co-manager

### Chris Sassouni, DMD

Portfolio Co-manager  
— Healthcare

## Separately Managed Accounts (SMA):

Small Cap Growth  
Mid Cap Growth

## Mutual Funds:

Small Cap Growth Fund  
Mid Cap Growth Fund

## Small Cap Growth SMA Representative Holdings

Fortinet  
Anacor Pharmaceuticals  
Waste Connections  
JetBlue Airways  
Cavium

## Mid Cap Growth SMA Representative Holdings

Monster Beverage  
Constellation Brands  
Royal Caribbean Cruises  
Sirius XM Holdings  
Waste Connections

*Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Contact Eagle at 800.421.4184 or your financial advisor for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.*

## Market Overview

Small-cap growth underperformed small-cap value in the second quarter as the Russell 2000 Growth Index (down 13.1 percent) underperformed the Russell 2000 Value Index (down 10.7 percent). Meanwhile, the Russell Mid-cap Growth (down 8.0 percent) and Russell Midcap Value (down 8.0 percent) indices were down equally.

## Small Cap Growth Portfolio Review

The Eagle Small Cap Growth portfolios were effectively in-line (on a gross basis) with the benchmark Russell 2000 Growth Index during the third quarter.

Our best-performing stocks during the quarter included Anacor Pharmaceuticals, Thoratec, JetBlue Airways, Receptos and Ultimate Software. Anacor Pharmaceuticals develops skin-related treatments. Shares jumped as the firm reported positive phase-3 results for a potential eczema-treatment compound. Thoratec agreed to be acquired by St. Jude Medical during the period at a sizable premium. JetBlue Airways continues to see industry-leading average revenue-per-seat results, benefitting from a more disciplined and rational competitive environment as well as lower fuel prices. Celgene announced it was buying portfolio holding Receptos at a substantial premium. Ultimate Software was up modestly during the quarter as the firm's unique competitive position, solid steady growth and healthy profitability have been well-received by investors.

Our worst-performing stocks during the quarter included Huntsman, Centene, Colfax, Stifel Financial and Cognex. Huntsman manufactures adhesives and coatings used in the aerospace and automotive industries. The firm negatively pre-announced earnings toward the end of the quarter as deteriorating pricing trends within its polyurethanes and pigments segments led customers to delay orders in reaction to the falling prices. Centene operates Medicaid managed-care programs for several U.S. states using a model to reduce expenses in an increasingly cost-conscious industry. Shares took a bit of a breather after a very strong multi-year run that had resulted in all-time highs reached early in the period. Colfax manufactures fluid and gas-handling technology serving the petrochemical, oil and gas industries. End-market softness (e.g., China) appeared to weigh on the firm's results; further, the unexpected retirement of Colfax's CEO caught some investors off-guard. Shares of Stifel Financial traded off largely in response to proposed Department of Labor legislation that has potential to negatively affect some

aspects of the management-fee structure for financial services firms such as Stifel. Currently, we are not of the opinion that the DOL's proposed actions will result in material detriment to Stifel's business but will continue to monitor new developments as they arise. Cognex manufactures machine "vision" systems used to monitor, inspect and provide real-time data on various aspects of manufacturing and distribution processes. The firm saw lighter-than-expected order activity from one of its larger customers, which consequently tempered quarterly results and pressured the stock. We continue to believe that Cognex's state-of-the-art systems provide substantial value to factory-automation trends that continue to expand at a healthy clip.

## Mid Cap Growth Portfolio Review

Eagle Mid Cap Growth portfolios trailed (on a gross basis) the benchmark Russell Midcap Growth Index in the third quarter; however, they remain ahead of the benchmark index on a year-to-date basis through Sept. 30.

Our most notable detractors for the quarter included Centene (see Small Cap Growth), Mylan, Huntsman, Harman International Industries and Skyworks Solutions. Mylan, a leader in the generic pharmaceuticals market, gave back gains generated in the previous quarter as the proposed acquisition by industry peer Teva Pharmaceuticals fell apart. We remain confident in Mylan's ability as a standalone entity as the proverbial "dust" settles to drive future growth. Huntsman manufactures adhesives and coatings used in the aerospace and automotive industries. The firm negatively pre-announced earnings toward the end of the quarter as deteriorating pricing trends within its polyurethanes and pigments segments led customers to delay orders. Harman International Industries is a leader in the car-audio and infotainment-systems industry. Signs of potentially peaking production levels for German autos weighed on shares during the period. We maintain a favorable perspective on Harman in light of the long-term prospects exhibited by the firm's core "infotainment" segment. Skyworks Solutions, which manufactures radio-frequency (RF) components used in high-end smartphones and related devices, traded off as concerns of lighter-than-expected iPhone 6s/6s Plus sales weighed on the stock.

Our best-performing stocks during the quarter included Royal Caribbean Cruises, Constellation Brands, Under Armour, Delta Air Lines and AutoZone. Royal Caribbean

Cruises has performed well, prudently maintaining cost controls while also benefitting from lower fuel costs as the cruise line continues to drive solid bookings growth. Constellation Brands owns a variety of wine, beer and spirits brands (e.g., Robert Mondavi, Arbor Mist, Corona and Svedka). The stock continues to perform well as a result of efficient distribution and a popular portfolio. Under Armour produces an expansive line of performance athletic apparel, footwear and accessories. The firm has generated consistently strong growth results in recent periods, which we would attribute to an ever-expanding and innovating set of product lines. Global airline Delta Air Lines has continued to execute well as it leverages a solid pricing environment and lower fuel prices. AutoZone owns and operates retail automotive-parts stores. AutoZone has performed well recently, primarily a result of leveraging improved parts availability and enhanced distribution as management applies a disciplined approach to long-term growth.

## Outlook

Equity markets sold off dramatically in the third quarter, reflecting many of the problems we referenced in our second-quarter letter. We mentioned then high valuations as a concern. The third quarter's sharp sell-off has corrected that issue as the S&P 500 and Russell 2000 indices are now both trading at a somewhat more reasonable multiple of 16 times their forward earnings estimates. The global slowdown, led by an easing of the extreme growth rates in China, is still an issue but we believe it is more than reflected in current equity valuations. The U.S. Federal Reserve once again put off an excessively talked-about pending rate increase and apparently will err on the side of caution with adjusting interest rates. We don't believe a rate increase is likely until next year given recent soft employment data. The domestic economy appears to remain slow-growing; however, we don't foresee discussions of a recession. It appears to us the damage to equity markets already has been done and after what is the historically challenging month of October, a modest year-end rally would not surprise us.

The energy sector endured yet another challenging quarter. The oil market is clearly enduring a painful rebalancing process. Drilling activity should be down significantly again in 2016, which should provide an intermediate-term floor on oil prices. As a result, we continue to favor oil producers with strong balance sheets and access to the most economical resource bases. Companies within the

industrials and materials sectors are suffering from multiple headwinds. Many companies have been hurt by the dramatically reduced capital spending in the energy and mining sectors due to the rout in commodity prices. The strengthening dollar has made U.S. exports less competitive, which hurts domestically based manufacturers. We prefer companies with exposure to the North American construction market. Many of the companies in the building-products industry should see continued steady growth in demand for both residential and non-residential markets underpinned by an improving labor market.

We believe there are several durable trends poised to provide investment opportunities within healthcare. The Baby Boomer generation is entering retirement age and will be adding thousands of its members to the ranks of Medicare recipients. In addition to the aging Baby Boomers, increasing prevalence of chronic diseases resulting from poor lifestyle habits (e.g., lack of exercise, poor diet, elevated stress levels) will likely represent the largest driver of healthcare costs as this group of individuals will require increasing amounts of medical care and treatment. We continue to believe that – despite tremendous volatility of late – healthcare remains one of the most attractive sectors of the economy for investment.

With the Fed likely to err on the side of caution in light of recent weakness in economic data and hold off on a rate increase at least a bit longer, many market-sensitive companies such as banks, brokers and asset managers underperformed during the quarter. However, we would expect the inevitable increase in rates should eventually provide a boost to banks and other market-driven firms as spreads recover and profitability improves.

Technology spending in the United States and other parts of the world remains healthy despite increasing capital-markets volatility in China as well as economic uncertainty in Europe. We continue to remain focused on what we view as high-quality companies with strong management teams that are well-positioned to gain market share. Additionally, we are looking to identify investment opportunities that we believe will benefit from long-term secular growth trends with themes such as security software, cloud computing, mobility, e-commerce and alternative energy. Given their relatively larger domestic exposure, we continue to believe U.S. small- and mid-cap consumer stocks should perform well despite our concerns over China and Europe.

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## Mid Cap Growth

### Bert L. Boksen, CFA

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### Eric Mintz, CFA

Portfolio Co-manager

### Chris Sassouni, DMD

Portfolio Co-manager  
– Healthcare

Investments in small-cap and mid-cap companies generally involve greater risks than investing in larger capitalization companies. These companies often have narrower commercial markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a fund's portfolio. Additionally, small-cap companies may have less market liquidity than larger companies.

Growth companies are expected to increase their earnings at a certain rate. When these expectations are not met, investors may punish the stocks excessively, even if earnings showed an absolute increase. Growth company stocks also typically lack the dividend yield that can cushion stock prices in market downturns. The companies engaged in the technology industry are subject to fierce competition and their products and services may be subject to rapid obsolescence. The values of these companies tend to fluctuate sharply.

The information provided above should not be construed as a recommendation to buy, sell or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice.

# Eagle Smaller Company Strategy

## Charles Schwartz, CFA

Portfolio Co-manager

## Betsy Pecor, CFA

Portfolio Co-manager

## Matthew McGeary, CFA

Portfolio Co-manager

## Separately Managed Accounts (SMA):

Smaller Company Strategy

## Mutual Funds:

Smaller Company Fund

Mid Cap Stock Fund

## SMA Representative Holdings

STERIS

Balchem

SolarWinds

Jarden

NICE Systems

Signature Bank

TreeHouse Foods

Berry Plastics Group

Power Integrations

Western Alliance Bancorporation

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## Market Overview

The Russell 2500 Index finished down 10.3 percent for the third quarter, bringing the index down 7.7 percent for the year (through Sept. 30). The Russell 2000 Index performed even worse at -11.9 percent, bringing it down 7.7 percent as well for the year (through Sept. 30).

## Portfolio Review

Eagle Smaller Company Strategy portfolios performed in line (on a gross basis) with the benchmark Russell 2500 Index in the third quarter. Portfolios benefited from strong performance in the healthcare sector due to solid selection among healthcare providers and our lack of exposure to biotechnology. In addition, strong stock selection in the materials sector's containers and packaging industry benefited portfolios. In contrast, the consumer discretionary sector underperformed the index due to negative news from several holdings.

Among the top contributors was Amsurg, which specializes in outpatient-surgery centers and outsourced physician services. It reported quarterly double-digit growth in both segments. The company also increased its earnings guidance. Balchem supplies specialty chemicals and related products to a range of industries. The company recently acquired Sensory Effects, a move designed to increase its exposure to the health food and supplements market while reducing its relative exposure to industrial choline used in the energy sector. Investors appear optimistic about the combined entity. ICU Medical, which manufactures disposable products used in intravenous lines, saw across-the-board growth for the quarter. The company has cleaned up its manufacturing processes, improved product development and created strong financial-reporting communication to investors. ISelective Insurance Group is an insurance provider that focuses largely on small- and mid-sized businesses. The stock outperformed on above-average premium growth, improving underwriting margins and increasing renewal pricing. WageWorks administers and operates a broad range of benefit plans for its corporate customers. The company reported strong quarterly financial results that included increased earnings guidance.

Among the portfolio's laggards was LifeLock, which sells identity-theft protection. It underperformed as it began the early stages of litigation with the U.S. Federal Trade Commission. The company reduced its earnings guidance to reflect the likelihood of lawsuit publicity causing a short-term increase in customer attrition and decrease in sales. Mattress Firm Holding, a retailer with more than 2,300 company-operated and franchised stores, said

that — among other factors — lower oil prices hurt sales (8 percent of the company's store base is in oil-dependent markets such as Houston, Oklahoma City and Louisiana). The company has said it extended its moratorium on major acquisitions (a significant sales growth driver over the past few years) until 2016 to focus on the integration of more than 600 stores it has acquired over the past year. We continue to like the company's long-term growth prospects. Whiting Petroleum, a leading oil and gas exploration-and-production (E&P) company with primary exposure in the Bakken shale region, traded down along with most of its energy-sector peers. The company posted a reasonably good quarterly result and reduced its expected capital-spending program in response to the lower-commodity-price environment. Platform Specialty Products, which produces specialty chemicals largely for the electronics and agricultural markets, underperformed due to increasing concerns about the near-term health of its agricultural business. Akorn, a specialty generic pharmaceutical company, has delayed filing its two most recent quarterly financial statements. We believe the company is taking the right steps before issuing any numbers to investors.

## Outlook

We are somewhat cautious in the near term on U.S. equity markets. An interest-rate increase appears imminent but the U.S. Federal Reserve's recent lack of clarity on the issue has added volatility. The protracted commodity weakness is beginning to send shock waves into the high-yield and bank-financing markets. U.S. dollar strength has slowed exports and manufacturing activity. China and Brazil are leading a broader slowdown in emerging markets.

Longer term, we are more sanguine on U.S. equity markets. We take the Fed at its word that it will begin to increase rates when economic conditions warrant. Given this context, we are anxious for the Fed to act. U.S. jobs, housing and auto numbers are solid and look to be sustainable. We should begin to see the fruits of European quantitative easing (QE) in 2016 and Japan looks to be readying itself for additional monetary stimulus. Equity-trading multiples look much more reasonable to us in the wake of the recent stock-market softness.

Investments in small-cap companies generally involve greater risks than investing in larger capitalization companies. Small-cap companies often have narrower commercial markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a fund's portfolio. Additionally, small-cap companies may have less market liquidity than larger companies.



# Eagle Large Cap Growth

## Market Overview

The broad U.S. market (as represented by the Russell 3000 Index) was down nearly 7.3 percent in the third quarter.

## Portfolio Review

Eagle's Large Cap Growth portfolios outperformed the benchmark Russell 1000 Growth Index. Stock selection was positive while sector allocation was neutral. An underweight position in the materials sector helped performance while overweight positions in healthcare and energy detracted from performance. Stock selection was very positive within energy as the portfolio's refiners in particular outperformed other energy names. Selection within industrials also was positive while selection within healthcare and financials was negative.

The top stock-level contributors included Reynolds American, NIKE, Google (Class A and Class C) and Tesoro. Reynolds American manufactures tobacco and smokeless tobacco products for the U.S. market. The company reported strong earnings, increased its guidance and announced a \$5 billion deal for international rights to its Natural American Spirit brand. NIKE, which makes shoes and other athletic apparel and equipment, rose sharply when earnings and revenues outpaced estimates. Google (since renamed Alphabet), which provides web-based search and other applications, rose sharply on a quarterly earnings report that surprised analysts with strong paid-click growth and solid expense management. Tesoro is a petroleum refiner and also operates a network of gas stations in the western United States. The stock outperformed as domestic-refinery capacity constraints boosted refining margins.

Stock-level laggards included Apple, Gilead Sciences, Mylan, McKesson and AbbVie. Apple slightly exceeded earnings estimates but missed iPhone unit-growth expectations. The company also guided for slightly weaker revenue. Investors were increasingly concerned about a significant slowdown in revenue growth as iPhone unit growth decelerates and other initiatives (e.g., Apple Watch and Apple Pay) will take time to gain traction. A significant slowdown in the China market poses another potential risk to the longevity of the iPhone product cycle. Biopharmaceutical company Gilead Sciences beat earnings estimates and raised its earnings guidance; however, investors were concerned about the prospects of flattening sales growth of its hepatitis-C drugs and the need for pipeline replenishment. The political backlash against "price gouging" of specialty drugs and potentially heightened regulatory pres-

sure around the end of the quarter led to a broad sell-off of biotech stocks. Mylan, a global pharmaceuticals company, declined when Teva Pharmaceuticals ended its hostile pursuit of Mylan and instead bought Allergan's generic-pharmaceuticals business. McKesson, a North American health- and beauty-care products distributor, reported a mixed quarterly result with stronger distribution revenue offset by weaker-than-expected gross margins. Further, investors were concerned about potential customer losses (e.g., Omnicare and Target). AbbVie, which produces specialty pharmaceutical drugs, retreated from all-time highs earlier in the summer as the broad healthcare sector sold off.

## Outlook

Christine Lagarde, chief of the International Monetary fund, recently noted, "The prospect of rising interest rates in the United States and China's slowdown are contributing to uncertainty and higher market volatility." Of course, we need to keep reminding ourselves that volatility creates opportunity: As valuations become distorted, fear and greed play a larger-than-normal role and investors over- and underreact to news.

Going forward, we believe equities are likely to remain volatile until it becomes clear when the Fed will start lifting rates and China's economy will stabilize. In addition, the possibility of another U.S. government shutdown looms, and former House Speaker John Boehner's decision to resign likely increases the odds of a standoff over government spending. The current resolution in Congress should keep the government funded through Dec. 11, when the debt ceiling will need to be raised. All of these issues could keep market volatility elevated.

October historically has been a frightening month for investors as the events of 1929, 1987 and 2008 highlight. A key question for investors going forward is whether they get scared out of the market by wild market swings or, instead, accept that volatility is what creates investment opportunity. Investing is not always a smooth ride and we need to take a long-term approach and remain disciplined.

The risks associated with Large Cap Growth investing are that growth-oriented companies are expected to increase their earnings at a certain rate. When these expectations are not met, investors may punish the stocks excessively, even if earnings showed an absolute increase. Growth company stocks also typically lack the dividend yield that can cushion stock prices in market downturns. The companies engaged in the technology industry are subject to fierce competition and their products and services may be subject to rapid obsolescence. The values of these companies tend to fluctuate sharply.

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### David Pavan, CFA

Lead Portfolio Manager

### Ed Wagner, CFA

Portfolio Manager

### Frank Feng, PhD

Lead Portfolio Manager

### Stacey Nutt, PhD

Lead Portfolio Manager

## Separately Managed Accounts (SMA):

Large Cap Growth

## SMA Representative Holdings

Apple  
Gilead Sciences  
Google  
Microsoft  
Amazon.com  
Home Depot  
Reynolds American  
UnitedHealth Group  
Kroger  
PepsiCo

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# Eagle Large Cap Core

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Lead Portfolio Manager

## David Pavan, CFA

Lead Portfolio Manager

## Ed Wagner, CFA

Portfolio Manager

## Stacey Nutt, PhD

Lead Portfolio Manager

## Separately Managed Accounts (SMA):

Large Cap Core

## SMA Representative Holdings

Apple  
JPMorgan Chase  
CVS  
Wells Fargo  
Gilead Sciences  
Pfizer  
Cigna  
Delta Air Lines  
Lear  
Verizon Communications

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## Market Overview

The broad U.S. market (as represented by the S&P 500 Index) was down 6.4 percent in the third quarter and is now down nearly 5.3 percent on a year-to-date basis (through Sept. 30).

## Portfolio Review

Eagle's Large Cap Core portfolios underperformed (on a gross basis) the benchmark S&P 500 Index in the third quarter. Stock selection and sector allocation contributed about equally to the underperformance.

Stock-level laggards included Apple, Gilead Sciences, Cigna, McKesson and JPMorgan Chase. Apple slightly exceeded earnings estimates but missed iPhone unit-growth expectations. The company also guided for slightly weaker revenue. Investors were increasingly concerned about a significant slowdown in revenue growth as iPhone unit growth decelerates and other initiatives (e.g., Apple Watch and Apple Pay) will take time to gain traction. Biopharmaceutical company Gilead Sciences beat earnings estimates and raised its earnings guidance; however, investors were concerned about the prospects of flattening sales growth of its hepatitis-C drugs and the need for pipeline replenishment. Cigna, a group life- and health-insurance company, reported results that were in line with its earnings preannouncement. The stock surged in late May after Anthem's announced acquisition offer but investors became concerned that the takeout upside was effectively priced in and regulatory uncertainty and deal-risk became the focus. McKesson, a North American health- and beauty-care products distributor, reported a mixed quarterly result with stronger distribution revenue offset by weaker-than-expected gross margins. Financial-services firm JPMorgan Chase reported mixed quarterly results with weaker-than-expected core earnings due to lower mortgage fees and interest income, which was somewhat offset by solid cost controls. Along with other banking stocks, the stock also traded poorly following the Fed's September decision not to raise interest rates.

The top stock-level contributors included Cameron International, Raytheon, Best Buy, Delta Air Lines and Lockheed Martin. Cameron International manufactures oil- and gas-pressure-control equipment used for drilling, production and transmission in onshore, offshore and subsea applications. The company reported a positive earnings surprise and better-than-expected margins and orders. The stock jumped in August after Schlumberger, the world's largest oil-services provider, offered to buy the

company at a significant price premium. Raytheon – a technology company specializing in defense, homeland security and other global government markets – reported better-than-expected earnings on stronger sales. Retailer Best Buy reported better-than-expected earnings due to improved top-line growth despite overall weakness in the industry. Delta Air Lines reported better-than-expected earnings; further, fuel costs came in lower than estimated and analysts have raised earnings estimates for the stock. Lockheed Martin, a global security company, reported solid results with stronger-than-expected earnings and revenue due to better sales and margins.

## Outlook

Christine Lagarde, chief of the International Monetary fund, recently noted, "The prospect of rising interest rates in the United States and China's slowdown are contributing to uncertainty and higher market volatility." Of course, we need to keep reminding ourselves that volatility creates opportunity: As valuations become distorted, fear and greed play a larger-than-normal role and investors over- and underreact to news.

Going forward, we believe equities are likely to remain volatile until it becomes clear when the Fed will start lifting rates and China's economy will stabilize. In addition, the possibility of another U.S. government shutdown looms, and former House Speaker John Boehner's decision to resign likely increases the odds of a standoff over government spending. The current resolution in Congress should keep the government funded through Dec. 11, when the debt ceiling will need to be raised. All of these issues could keep market volatility elevated.

October historically has been a frightening month for investors as the events of 1929, 1987 and 2008 highlight. A key question for investors going forward is whether they get scared out of the market by wild market swings or, instead, accept that volatility is what creates investment opportunity. Investing is not always a smooth ride and we need to take a long-term approach and remain disciplined.

The risks associated with Large Cap Core investing are based on the expectation of positive price performance due to continued earnings growth or anticipated changes in the market or within the company itself. However, if a company fails to meet that expectation or anticipated changes do not occur, its stock price may decline. Moreover, as with all equity investing, there is the risk that an unexpected change in the market or within the company itself may have an adverse effect on its stock. Investing in growth-oriented stocks involves potentially higher volatility and risk than investing in income-generating stocks. The biggest risk of equity investing is that returns can fluctuate and investors can lose money.



# Eagle Equity Income

## Market Overview

The S&P 500 Index declined 6.44 percent in the third quarter, bringing the index to a -5.29 percent return on a year-to-date basis (through Sept. 30).

## Portfolio Review

Eagle Equity Income portfolios underperformed the benchmark S&P 500 Index in the third quarter. The relative performance is unsurprising given the headwinds we faced against higher-yielding stocks. Stocks in the S&P 500 that do not pay a dividend traded down only 2.6 percent during the quarter while dividend-paying stocks were down more than 7 percent.

Among individual laggards was Applied Materials, which finished the quarter lower as investors continued to digest the direction management is heading after the failed merger attempt with Tokyo Electron. Investor sentiment toward the semiconductor space has caused the entire industry to trade lower on fears of a global slowdown. The management team has reiterated its growth targets but said it may take longer than initially expected. Materials company LyondellBasell Industries continued to trade lower on lower commodity prices and fears of a slowdown in global growth. The company has continued to buy back shares but revenues have decreased with prices. We sold our position near the end of the quarter. Abbott Laboratories experienced a rocky quarter with a rumor surfacing surrounding the company preparing a bid for St. Jude Medical. The company quickly denied those rumors but has consistently mentioned an interest in some kind of merger-and-acquisition (M&A) deal after its divestment of non-U.S. business to Mylan. Sluggish sales have continued to plague Eaton. Any major new initiatives are likely to be muted as the company will transition to a new chief executive next year. The company said demand has been slower in several of its markets and it suffered from \$1.2 billion worth of foreign-exchange effects due to a strong U.S. dollar. We sold our position. Pharmaceuticals company Merck traded lower on fears of a potential competitor to its leading marketed drug. We do not believe the new drug would be a direct competitor; further, Merck also has four other drugs in late-stage development.

Among individual contributors, Sysco benefited from lower-than-expected food inflation. Revenues came in below consensus estimates but the company was able to earn higher margins and earnings-per-share. Home Depot reported higher-than-expected revenue and raised its earnings guidance for the balance of 2015. The company has

benefited from a strong U.S. housing market with housing starts and household formations picking up. The impact of a new chief executive at McDonald's already has begun to show positive signs within the company's operations. Progress is visible within the domestic and international markets as the company is working with franchisees on new menu initiatives. Management at Coca-Cola has continued to drive profits, even in a more health-conscious world. The company has continued to grow by focusing on increasing market share in emerging markets, finding the right product prices in developed markets and even expanding into frontier markets. Real-estate investment trust Simon Property Group continued to show solid fundamentals. The company appears to be executing well: It posted 2 percent growth in sales per square foot and an occupancy rate consistently greater than 95 percent. The company also bought back roughly \$500 million of its shares, raised its dividend and lowered its cost of capital.

## Outlook

Earnings expectations for the S&P 500, after declining for the past year, turned up at the end of July and have been increasing since then. A bottoming in oil prices, and therefore oil company earnings, as well as a stabilization of the U.S. dollar (which should stem the decline of foreign earnings) has led to higher earnings expectations. Other tailwinds that may lead to a better domestic economy are low inflation, global monetary easing, robust automobile sales, a slowly recovering housing market and improving consumer balance sheets.

Conversely, the global economy is facing several headwinds that may affect economic growth. These headwinds include a potential hard landing in China; dislocations in the Middle East and Eastern Europe; Federal Reserve interest-rate tightening; and a rising U.S. dollar. Weighing the data, we believe the most probable scenario for the U.S. economy is slow but sustainable growth over the next several years. In this environment, we believe high-quality dividend-paying stocks should perform well.

The risks associated with Equity Income investing are based upon the identification of companies which possess both moderate growth rates as well as higher-than-average and consistent dividend distributions. Historically, dividend yields have been relatively constant and therefore have created a cushion for investors when stock prices have declined. However, as with all equity investing, there is the risk that a company will not achieve its expected earnings results, or that an unexpected change in the market or within the company will occur, both of which may adversely affect investment results. The biggest risk of equity investing is that returns can fluctuate and investors can lose money.

## Ed Cowart, CFA

Portfolio Co-manager

## David Blount, CPA, CFA

Portfolio Co-manager

## Harald Hvideberg, CFA

Portfolio Co-manager

## Jeff Vancavage, CFA

Portfolio Co-manager

## Separately Managed Accounts (SMA): Equity Income

## Mutual Fund:

Growth & Income Fund

## SMA Representative Holdings

Microsoft

Apple

Regal Entertainment Group

Pfizer

3M

Merck & Co.

PNC Financial Services Group

Wells Fargo

Johnson & Johnson

Honeywell International

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*Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Contact Eagle at 800.421.4184 or your financial advisor for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.*

# Eagle All Cap Equity and Value

## All Cap Equity

### Ed Cowart, CFA

Managing Director  
and Portfolio Co-manager

### David Blount, CPA, CFA

Portfolio Co-manager

### Harald Hvideberg, CFA

Portfolio Co-manager

### Jeff Vancavage, CFA

Portfolio Co-manager

## Separately Managed Accounts (SMA):

All Cap Equity  
Value

## All Cap Equity SMA Representative Holdings

Delta Air Lines

Aetna

MEDNAX

Capital One Financial

Microsoft

Allergan

Delphi Automotive

Apple

Honeywell International

St. Jude Medical

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## Market Overview

The Russell 3000 Index finished the quarter down 7.25 percent while the Russell 1000 Value finished the quarter down 8.4 percent due to a growing list of concerns. Throughout the quarter, volatility increased as investors faced mixed signals from the renewed fall in oil prices during July, worries of a Chinese growth slowdown during August and uncertainty over U.S. Federal Reserve actions through September. However, the market has a history of rising following spikes in volatility when recessionary risks are not present. The U.S. Institute for Supply Management (ISM) Manufacturing Index has been consistently greater than 50, which indicates growth in industrial production. Also, payrolls are increasing steadily and the U.S. housing and auto markets are showing strength. In our view, recessionary risks are nowhere in sight.

## All Cap Equity Portfolio Review

Eagle All Cap Equity portfolios underperformed the benchmark Russell 3000 Index during the third quarter. The underperformance can largely be explained by the resumption of growth stocks outperforming value stocks (notably, the Russell 3000 Value Index underperforming the Russell 3000 Growth by 2.5 percentage points in July).

Individual laggards included Eaton, Ingersoll-Rand, Capital One Financial, Devon Energy and Aetna. Sluggish sales have continued to plague Eaton. Any major new initiatives are likely to be muted as the company will transition to a new chief executive next year. The company noted that demand has been slower in several of its markets and, after a \$1.2 billion negative impact from foreign-exchange issues this year, we decided to sell our position. Ingersoll-Rand traded lower on fears that a decrease in North American heavy-duty trucking production volumes would affect its Thermo King division. With the trucking and trailer businesses representing 55 percent of sales, a decrease in new trucks was thought to decrease revenues; however, only 10 percent of its sales are derived from this heavy-duty trucking business. Capital One traded lower when it missed quarterly earnings expectations on higher expenses. In August, the company announced it would acquire General Electric's healthcare-lending business for approximately \$9 billion. The move confirms our thesis that the company is transitioning away from its traditional lending model and morphing into a regional player. Lower oil prices affected shares of Devon Energy. The company has delivered superb

operating performance in many of its drilling areas. Devon has a strong balance sheet and it is focused on increasing efficiency, which should help it weather lower prices. Aetna reported stronger-than-expected earnings-per-share, driven primarily by higher underwriting margins; further, it announced higher guidance for the year. However, the company traded lower with its peers in the sector on political concerns surrounding the 2016 election. The company reiterated its confidence in obtaining approval of its projected merger with Humana.

Individual contributors included Delta, Cardinal Financial, Home Depot, American Campus Communities and MEDNAX. Delta has continued to benefit from lower oil prices, lower industry capacity and an increase in demand for air travel. Cardinal Financial has been able to drive impressive loan growth. The company remains extremely profitable with a conservative underwriting backdrop. Along with most banks, Cardinal Financial remains poised for additional growth with a rise in interest rates. Home Depot reported higher-than-expected revenue and raised its earnings guidance for the balance of 2015. Sales in the interior home-improvement category and the professional segment were major drivers for the positive performance. The company has benefited from a strong U.S. housing market with housing starts and household formations picking up. American Campus Communities continues to execute at a high level. It has seen progress with its development pipeline, substantial occupancy gains for the 2014-'15 school year (with some modest margin improvement) and positive pre-leasing trends for the 2015-'16 school year. We believe its valuation is full at current levels and price appreciation could be limited; consequently, we sold the stock. Shares of MEDNAX traded higher on a strong outlook for revenue growth. Management has remained active with acquisitions while keeping the balance sheet clean. The company has a competitive niche as a leader in the outsourced neonatal intensive-care unit (NICU)/pediatric-services market.

## Value Portfolio Review

Eagle Value portfolios underperformed the benchmark Russell 1000 Value Index during the third quarter. The underperformance can largely be explained by the resumption of growth stocks outperforming value stocks (notably, the Russell 1000 Value underperformed the Russell 1000 Growth by 3.5 percentage points throughout the quarter).

Individual laggards included Ingelsoll-Rand (see All Cap Equity), Eaton (see All Cap Equity), Applied Materials, Aetna (see All Cap Equity) and LyondellBasell Industries. Applied Materials finished the quarter lower as investors continued to digest the direction the company is heading after its failed merger attempt with Tokyo Electron. Investor sentiment toward the semiconductor space has caused the entire industry to trade lower on fears of a global slowdown. The company has reiterated its growth targets but believe it may take longer than initially expected. Materials company LyondellBasell Industries continued to trade lower on lower commodity prices and fears of a slowdown in global growth. The company has continued to buy back shares but revenues have decreased with prices. We sold our position near the end of the quarter.

Individual contributors included Delta (see All Cap Equity), Home Depot (see All Cap Equity), Prologis, Cisco and DIRECTV. Industrial real-estate investment trust (REIT) Prologis continued to prove its operating trends are accelerating. The company reported record leasing spreads and increased guidance for the remainder of the year. Increased demand and constrained supply should have the company positioned well. Cisco reported a strong quarter and remained committed to returning more than 50 percent of free-cash-flow to shareholders. The company is experiencing growth in the high-end routing markets. AT&T purchased DIRECTV during the quarter, causing the stock price to close at a premium. The new company will now be the world's largest pay-TV provider giving the company an opportunity to cross-sell to each set of clients.

## Outlook

After nearly four years, the long-awaited 10 percent correction in the major U.S. market indices finally arrived in August. As most investors are aware, however, many stocks beneath the surface of the market averages already had experienced declines well in excess of 10 percent. Concerns about the renewed decline in oil prices, doubts about the growth outlook for China and uncertainty about the course of U.S. Federal Reserve policy all acted together to push the U.S. stock market to levels from which we believe a rebound is all but assured. Current levels of volatility, market breadth and investor sentiment all argue – in our view – for at least a short-term recovery in stock prices.

We believe the relentless decline and extreme volatility the U.S. market experienced toward the end of August

has established the conditions for a near-term rebound in stocks. Historically, a dramatic rise in volatility (as defined by the VIX, a measure of relative put and call premia), in the absence of recessionary conditions, has invariably led to a rebound in stock prices.

Our best estimate is that the current turmoil will pass and both the stock market and the economy will continue to expand for several more years. Simply put, the conditions that almost always have preceded recessions and bear markets are not present.

The U.S. economy continues to show steady, if unspectacular, growth in the 2.5 percent-3.0 percent range. The Fed's raising interest rates now seems far more a "when" vs. "if" issue. Regardless of the timing, we do not fear a modest increase in short-term interest rates.

There have been eight interest-rate cycles since the 1950s. A sustained decline in stock prices (call it a bear market) never has begun before the first interest-rate increase. In fact, the stock market on average continued to rise for more than two years after that first rate increase by the Federal Reserve. On average, the S&P 500 has been more than 9 percent higher one year after the Fed begins raising rates.

Of course, there is no guarantee that those historical precedents will hold but if a bear market in stocks and a recession in the economy were to occur, they would happen under conditions that are literally unprecedented in modern financial/economic experience. We remain optimistic about the outlook for U.S. stocks with 1) recent earnings coming in a bit above expectations; 2) the valuation of stocks, especially compared to high-quality fixed-income, still attractive; 3) abundant liquidity held by individuals, institutions, and corporations; 4) widespread skepticism on the part of retail and institutional investors (a contrarian indicator); and 5) no sign of a U.S. recession on the horizon.

Value investing is based on the potential for a company's stock price to rise based upon anticipated changes in the market or within the company itself. Value stocks have historically been sensitive to economic cycles and investor sentiment that can affect volatility and risk.

## Value

### Ed Cowart, CFA

Managing Director  
and Portfolio Co-manager

### David Blount, CPA, CFA

Portfolio Co-manager

### Harald Hvideberg, CFA

Portfolio Co-manager

### Jeff Vancavage, CFA

Portfolio Co-manager

## Value SMA

### Representative Holdings

Kroger  
Aetna  
Allergan  
Microsoft  
Wells Fargo  
Home Depot  
PNC Financial Services Group  
Honeywell International  
St. Jude Medical  
Delta Air Lines

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# Eagle International ADR

## David Vaughn, CFA

Lead Portfolio Manager

## Alex Turner, CFA

Portfolio Manager

## Priyanshu Mutreja, CFA

Asst. Portfolio Manager

## Stacey Nutt, PhD

Lead Portfolio Manager

## Separately Managed Accounts (SMA):

International ADR

## SMA Representative Holdings

Novartis AG  
Toyota Motor Corp.  
Nippon Telegraph and Telephone  
Imperial Tobacco Group  
Bayer  
Danske Bank  
Daimler AG  
Teva Pharmaceutical Industries  
Qantas Airways Limited  
Mitsubishi UFJ Financial Group

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## Market Overview

International developed markets, as represented by the MSCI EAFE Net Index, declined 10.23 percent in the third quarter and stands at -8.63 percent over the last 12 months (as of Sept. 30, 2015).

## Portfolio Review

Eagle's International ADR portfolios outperformed (on a gross basis) the benchmark MSCI EAFE Index. Sector selection, stock selection within the industrials and materials sectors and country selection all were positive.

The top stock-level contributors included Volaris Aviation, Imperial Tobacco Group, SAFRAN, KT and Delhaize Brothers. Volaris Aviation, a Mexico-based regional airline, reported higher-than-expected earnings due to strong passenger-traffic growth and lower oil prices. Imperial Tobacco Group, a British tobacco company, reported stable sales growth and gained market share from other tobacco brands. Safran, a French aerospace and defense company, reported strong semi-annual earnings and raised its operating-income growth target for the full year. The company expects strong civil aftermarket sales to drive future growth. KT, a Korean telecom company, has benefited from subdued competition and outlined its plans to expand its increasingly popular gigabit-speed network. Delhaize Group, a Belgian supermarket operator with U.S. operations, helped performance as investor sentiment continued to increase following the announcement that it had accepted an acquisition offer.

Stock-level laggards included Volkswagen, Mitsubishi UFJ Financial Group, Toyota Motor, AEGON and Sumitomo Mitsui Financial Group. German automaker Volkswagen dropped on concerns about slowing auto sales in China as well as the discovery it had been cheating on U.S. diesel-emissions testing. Mitsubishi UFJ Financial Group, Japan's largest financial group, declined along with the Japanese stock market on global growth concerns. Toyota Motor, the world's largest automaker, suffered along with the rest of the market on global-growth slowdown concerns. The company raised its forecast for Japanese sales and maintained its annual profit guidance. Aegon, a Netherlands-based insurance and investment group, missed earnings estimates. The company suffered losses on its interest-rate hedges, as well as adverse U.S. mortality rates affecting the entire insurance industry. Sumitomo Mitsui Financial Group, a Japanese financial institution, declined along with the Japanese stock market on global-growth concerns.

## Outlook

Christine Lagarde, chief of the International Monetary fund, recently noted, "The prospect of rising interest rates in the United States and China's slowdown are contributing to uncertainty and higher market volatility." Of course, we need to keep reminding ourselves that volatility creates opportunity: As valuations become distorted, fear and greed play a larger-than-normal role and investors over- and underreact to news.

Outside the United States, many central banks are still in the early stages of easing. U.S. Federal Reserve policy remains accommodative and even when rates finally do rise, we believe the process will be gradual and starting from such a low level that global monetary policy should remain supportive for equities. There is concern that any heavy-handed tightening by the Fed could trigger a larger scale "taper tantrum" that may have investors pull their money away from emerging markets and return it to higher-yielding U.S. assets.

Greece has accepted austerity programs and, in the process, remained in the European Union, kept the euro as its currency and secured a third bailout of more than \$96 billion to reopen banks and keep the country operating. About half that money will be used to meet external financial obligations. Greece will also sell \$55 billion in assets to repay loans. However, the Greek economy is still in shambles with little or no flexibility on spending. The current deal buys some time but we may be revisiting these same problems with Greece six or 12 months from now, which could certainly contribute to market volatility.

October historically has been a frightening month for investors as the events of 1929, 1987 and 2008 highlight. A key question for investors going forward is whether they get scared out of the market by wild market swings or, instead, accept that volatility is what creates investment opportunity. Investing is not always a smooth ride and we need to take a long-term approach and remain disciplined.

International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards, and potential political and economic instability. These risks are further accentuated in emerging market countries, where risks can also include possible economic dependency on revenues from particular commodities or on international aid or development assistance, currency transfer restrictions, and liquidity risks related to lower trading volumes. The fund may invest in small- and mid-cap stocks, which may involve greater risks than investing in larger, more established companies. These companies often have narrow markets and more limited managerial and financial resources.



# Eagle Strategic Income Portfolio

## Market Overview

The S&P 500 Index declined 6.44 percent in the third quarter, bringing the index to a -5.29 percent return on a year-to-date basis (through Sept. 30). Meanwhile, the domestic bond market, as measured by the Barclays Capital U.S. Aggregate Index, earned 1.23 percent in the third quarter. Global developments, primarily softness in China, dominated the quarter's headlines.

## Portfolio Allocation Review

Strategic Income Portfolios underperformed a hypothetical 50/50 split of the S&P 500 and Barclays Capital indices. Most of our portfolios' underperformance can be attributed to the performance of our equity holdings relative to the S&P 500 Index. Further, we remained invested at 60 percent equities during the entirety of the quarter, which also hurt our performance vs. the 50/50 hypothetical blend particularly during August. We are not satisfied with underperformance but we believe the performance of Strategic Income Portfolios over time has been in line with expectations based on our investment objectives of income, income growth, down-side protection and reasonable tactical allocations that we believe give our portfolios a long-term advantage vs. static blends.

## Equity Performance Review

The equity portion of Strategic Income Portfolios underperformed the benchmark S&P 500 Index in the third quarter. The relative performance is unsurprising given the headwinds we faced against higher-yielding stocks. Stocks in the S&P 500 that do not pay a dividend traded down only 2.6 percent during the quarter while dividend-paying stocks were down more than 7 percent. Investments in the consumer staples and energy sectors as well as the real-estate investment trust (REIT) industry all contributed positively to performance while information technology, industrials and materials accounted for nearly all of the underperformance.

## Taxable Fixed Income Performance Review

Investment-grade corporate bonds, as measured by the Barclays Capital U.S. Corporate Bond Index, earned 0.83 percent during the third quarter. They made back some of the losses from the second quarter and now are down only slightly on a year-to-date basis. We continue to see pockets of value across the credit market and will look to add opportunistically issues that fit our risk-return criteria.

## Municipal Market Performance Review

The third quarter resulted in positive returns in the municipal market with the Barclays Capital Municipal Bond Index up 1.65 percent. Year-to-date performance is also positive

at 1.77 percent. Net supply of municipal bonds decreased over the quarter by about \$29 billion as issuers refunded old debt at currently low interest rates. We expect to see more refunding deals now that a potential Fed rate increase is pushed out to late 2015 or early 2016.

## Outlook

Earnings expectations for the S&P 500, after declining for the past year, turned up at the end of July and have been increasing since then. A bottoming in oil prices, and therefore oil company earnings, as well as a stabilization of the U.S. dollar (which should stem the decline of foreign earnings) has led to higher earnings expectations. Conversely, the global economy is facing several headwinds that may affect economic growth. These headwinds include a potential hard landing in China; dislocations in the Middle East and Eastern Europe; Federal Reserve interest-rate tightening; and a rising U.S. dollar. Weighing the data, we believe the most probable scenario for the U.S. economy is slow but sustainable growth over the next several years. In this environment, we believe high-quality dividend-paying stocks should perform well.

The U.S. Federal Reserve's decision in September was a replay of its meeting in June: It surprised few by keeping short-term interest rates near zero. The Fed's dovish tone in September only reinforced our view that a rate "liftoff" in 2016 instead of December is becoming more likely.

In portfolios with municipal bonds, we are overweight the hospital and special-tax sectors. We continue to have underweight positions in the state and local general-obligation sectors due to increasing pension burdens. We are finding value in the intermediate area of the curve. Municipals remain attractive on a relative basis, with municipal and Treasury bonds at near-parity on a yield basis.

The product described is a separately managed account with fixed-income components and is subject to interest-rate risk, inflation-rate risk and may experience a loss of principal. Other products may be more appropriate, depending on your investment needs. As with all investing, there is the risk that an unexpected change in the market or within the company itself may have an adverse effect. As with all investments, there is the risk of the loss of capital. High-yield securities may be subject to greater risk than pure fixed-income instruments.

Equity Income investing is based upon the identification of companies that possess both moderate growth rates as well as higher-than-average and consistent dividend distributions. Historically, dividend yields have been relatively constant and therefore have created a cushion for investors when stock prices have declined. However, there is the risk that a company will not achieve its expected earnings results, or that an unexpected change in the market or within the company will occur, both of which may adversely affect investment results. The biggest risk of equity investing is that returns can fluctuate and investors can lose money. Investment-grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

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## David Blount, CPA, CFA

Portfolio Co-manager

## James Camp, CFA

Portfolio Co-manager

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Portfolio Co-manager

## Joe Jackson, CFA

Portfolio Co-manager

## Burt Mulford, CFA

Portfolio Co-manager

## Jeff Vancavage, CFA

Portfolio Co-manager

## Separately Managed Accounts (SMA):

Strategic Income Portfolio

## SMA Representative Holdings

Microsoft

Pfizer

Honeywell International

Cisco Systems

Regal Entertainment Group

Johnson & Johnson

Wells Fargo

Procter & Gamble

AT&T

Total SA Sponsored ADR

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# Eagle Fixed Income

## James Camp, CFA

Managing Director and  
Portfolio Manager

## Joseph Jackson, CFA

Portfolio Co-manager

## SMA Only:

### Burton Mulford, CFA

Portfolio Manager

## Sheila L. King, CFA

Portfolio Co-manager

## Separately Managed Accounts (SMA):

### Taxable:

High Quality Taxable  
Core Fixed Income  
Managed Income Solutions

### Tax-free:

High Quality Tax-Free  
Special Fixed Income  
Managed Income Solutions

## Mutual Fund:

Investment Grade Bond Fund

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Investing in bonds involves risks that may adversely affect the value of your investment such as inflation risk, credit risk, call risk, interest rate risk and liquidity risk, among others. The two most prominent factors are interest rate movements and the credit worthiness of the bond issuer. Investors should pay careful attention to the types of fixed income securities that comprise their portfolios and remember that, as with all investments, there is the risk of loss of capital. A Real Estate Mortgage Investment Conduit (REMIC) is a type of multiclass mortgage-related security in which interest and principal payments from mortgages are structured into separately traded securities. These classes are distinguished by their sensitivity to the prepayment risk of the underlying mortgage-related collateral. Therefore, they may be more or less sensitive to prepayment risk, bear different interest rates, and have various average lives and final maturities.

## Market Overview

The domestic bond market, as measured by the Barclays Capital U.S. Aggregate Index, earned 1.23 percent in the third quarter. The second-quarter trend of rising interest rates and a steepening yield curve reversed course in early July as the apparent bursting of the Chinese equity market and brinksmanship between the Eurozone and Greece over bailout negotiations threatened market stability and encouraged a flight to quality. In August, the continued Chinese equity-market collapse and currency-devaluation debacle, weak economic data and an unremitting fall in commodity prices moved interest rates to third-quarter lows in the back half of the month. Although Treasuries sold off as “risk-on” assets rallied going into the Federal Open Market Committee meeting in September, interest rates quickly moved lower post-decision. The 10-year U.S. Treasury finished the quarter at 2.06 percent: not far from its August low for the period and a 0.29 percentage-point decrease from the end of June. Corporate credit spreads, generally moving inversely with interest rates, finished the quarter at 1.69 percent: a 0.24 percentage-point increase since the beginning of the period and now up for five consecutive months. Utilities, which are sensitive to interest rates, outperformed both the financial and industrial sectors. Industrials were the worst-performing sector due to continued new-issuance pressure and energy exposure. The government-related space underperformed duration-matched Treasuries, which led the index in performance, by 1.74 percentage points mostly due to weakness in sovereign issues. Securitized products had the second-best total return of the major sectors, lagging Treasuries by 0.20 percentage points due to weakness in mortgage-backed securities (MBS). Asset-backed securities (ABS) outperformed duration-matched Treasuries by 0.16 percentage points while commercial mortgage-backed securities underperformed by 0.05 percentage points.

## Federal Reserve update and outlook

The U.S. Federal Reserve’s decision in September was a replay of its meeting in June: It surprised few by keeping short-term interest rates near zero. Aside from worries about falling commodity prices and lower import prices putting downward pressure on inflation away from the elusive 2.0 percent target, the Fed also acknowledged global growth and financial developments in its policy statement. The dots in the “dot plot” have trended down again, suggesting an even more gradual pace of rate increases

when they do actually happen. In the previous quarter, we stated our concern about persistently low inflation data and the importance of preserving financial stability when taking into account Fed policy. The Fed’s dovish tone and added language only reinforces our beliefs. Thus, despite the generally positive employment trend, our view remains that – with a mixed bag of economic data, worries about inflation and now an added global factor in the Fed’s decision-making – a rate “liftoff” in 2016 instead of December is becoming more likely.

## Corporate Market Review

Investment-grade corporate bonds, as measured by the Barclays Capital U.S. Corporate Bond Index, earned 0.83 percent during the third quarter. They made back some of the losses from the second quarter and now are down only slightly on a year-to-date basis. However, credit spreads moved wider in each month during the quarter due to a combination of continued merger-and-acquisition (M&A) activity, new debt issuance to buy back stock and global economic concerns. Such spread-widening has caused corporate bonds to significantly underperform Treasuries, especially on the long end. As we have mentioned here throughout the year, acquisition-related bond issuance is on a record pace in 2015. The brief pause in the primary market due to corporate managers’ hesitation prior to the Fed’s decision and general market weakness in the past few weeks has only created a backlog of new-debt issues that have to come to market. With that backlog, as well as economic data worries and continued uncertainty about Fed policy, our expectation remains for spread-widening over the next several months. Still, we see pockets of value across the credit market and will look to add opportunistically issues that fit our risk-return criteria.

## Municipal Market Review

The third quarter resulted in positive returns in the municipal market with the Barclays Capital Municipal Bond Index up 1.65 percent. Year-to-date performance is also positive at 1.77 percent.

Net supply of municipal bonds decreased over the quarter by about \$29 billion as issuers refunded old debt at currently low interest rates. We expect to see more refunding deals now that a potential Fed rate increase is pushed out to late 2015 or early 2016. Municipal investors withdrew about \$4.5 billion from municipal funds leading up to the September Fed meeting but added more than \$200

million in the week following the meeting. We continue to monitor fund flows as they relate to investor sentiment concerning the Fed. Municipal-bond-fund inflows are still positive year to date at \$5.3 billion.

We are overweight the hospital and special-tax sectors. We believe hospitals will see increased revenues and margins as the customer base increases due to expanded insurance coverage from the Affordable Care Act. Moody's upgraded its outlook on the hospital sector to stable in August. We are finding value in the special-tax sector in areas that have improving demographics and increasing revenues. We continue to have underweight positions in the state and local general-obligation sectors due to increasing pension burdens. We are overweight in California, Florida and Washington, which all outperformed the index for the quarter. We continue to be underweight in states such as Illinois and New Jersey because of their financial struggles. We are finding value in the intermediate area of the curve, so we have been taking advantage of this mispricing by using a barbell approach in our portfolios. We do this by extending a few years on the long end but balancing those positions with shorter pre-refunded bonds to make the strategy duration-neutral. This barbell strategy historically has done well in a rising-interest-rate environment and has been a good use of cash as the market rallied over the quarter. We are currently keeping cash levels around 2 percent.

Municipals remain attractive on a relative basis, with municipal and Treasury bonds at near-parity on a yield basis. Consequently, municipals will yield more than Treasuries on an after-tax basis. Considering these valuations – as well as technical factors, such as decreased supply and potentially increasing demand – we believe municipals should continue their strong performance relative to other asset classes.

Asset-backed securities and mortgage-backed securities are created by pooling loans from a variety of sources and issuing bonds that are backed by these loans. Creditworthiness stems from the credit quality of the underlying loans, as opposed to corporate bonds in which creditworthiness is derived from the earning power of the issuing company. The primary risk of these securities is interest-rate risk. Rising interest rates might cause loan principal prepayments to slow, resulting in less available principal to invest at prevailing higher rates. Conversely, rate decreases might accelerate prepayments, leaving more dollars to invest at lower rates.

Investment grade refers to fixed-income securities rated BBB or better by Standard & Poor's or Baa or better by Moody's.

Convertible securities and preferred stock combine the fixed-income characteristics of bonds with some of the potential for capital appreciation of equities and, thus, may be subject to greater risk than pure fixed-income instruments. Unlike bonds, preferred stock and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds. Convertible securities may include convertible bonds, convertible preferred stocks and other fixed-income instruments that have conversion features.

Investments in high-yield bonds and convertible securities are subject to the client's authorization, as set forth in the Investment Management Agreement. Such investments may be subject to greater risks than other fixed-income investments. The lower rating of high-yield bonds (less than investment grade) reflects a greater possibility that the financial condition of the issuer or adverse changes in general economic conditions may impair the ability of the issuer to pay income and principal. Periods of rising interest rates or economic downturns may cause highly leveraged issuers to experience financial stress, and thus markets for their securities may become more volatile. Moreover, to the extent that no established secondary market exists, there may be thin trading of high-yield bonds, which increases the potential for volatility.

Sovereign debt instruments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt. A Real Estate Mortgage Investment Conduit (REMIC) is a type of multiclass mortgage-related security in which interest and principal payments from mortgages are structured into separately traded securities. These classes are distinguished by their sensitivity to the prepayment risk of the underlying mortgage-related collateral. Therefore, they may be more or less sensitive to prepayment risk, bear different interest rates, and have various average lives and final maturities.

# Eagle Top Contributors/Bottom Laggards\*

THIRD QUARTER | 9/30/15

	Top Contributors (%)	Ending Weight	Contribution to Return	Bottom Laggards (%)	Ending Weight	Contribution to Return
Small Cap Growth	Anacor Pharmaceuticals	2.32	0.55	Huntsman	0.74	-0.80
	Thoratec	1.73	0.54	Centene	1.62	-0.66
	JetBlue Airways	2.26	0.36	Colfax	1.02	-0.45
	Receptos	--	0.19	Stifel Financial	1.41	-0.44
	Ultimate Software Group	1.90	0.10	Cognex	1.32	-0.41
Mid Cap Growth	Royal Caribbean Cruises	2.76	0.27	Centene	1.55	-0.65
	Constellation Brands	2.88	0.16	Mylan N.V.	0.83	-0.61
	Under Armour	1.35	0.15	Huntsman	0.45	-0.51
	Delta Air Lines	1.72	0.12	Harman International Industries	1.75	-0.33
	AutoZone	1.13	0.11	Skyworks Solutions	1.64	-0.30
Smaller Company Strategy	AmSurg	1.22	0.16	LifeLock	--	-0.52
	Balchem	1.74	0.12	Mattress Firm	1.12	-0.50
	ICU Medical	1.12	0.11	Whiting Petroleum	0.48	-0.48
	Selective Insurance Group	1.35	0.09	Platform Specialty Products	0.51	-0.46
	WageWorks	1.05	0.08	Akorn	0.85	-0.43
Large Cap Growth	Reynolds American	2.10	0.27	Apple	5.24	-0.66
	NIKE	1.31	0.18	Gilead Sciences	3.05	-0.49
	Google Class A	2.48	0.17	Mylan	0.82	-0.47
	Google Class C	1.18	0.16	McKesson	1.62	-0.32
	Tesoro	1.23	0.15	AbbVie	1.48	-0.31
Large Cap Core	Cameron International	1.23	0.19	Apple	4.59	-0.58
	Raytheon	1.53	0.17	Gilead Sciences	2.30	-0.40
	Best Buy	1.12	0.16	Cigna	2.12	-0.39
	Delta Air Lines	2.04	0.15	McKesson	1.75	-0.35
	Lockheed Martin	1.50	0.15	JPMorgan Chase	3.06	-0.29

# Eagle Top Contributors/Bottom Laggards\*

THIRD QUARTER | 9/30/15

	Top Contributors (%)	Ending Weight	Contribution to Return	Bottom Laggards (%)	Ending Weight	Contribution to Return
Equity Income	Sysco	2.74	0.18	Applied Materials	2.66	-0.70
	Home Depot	2.99	0.14	LyondellBasell Industries NV	0.00	-0.67
	McDonald's	1.80	0.07	Abbott Laboratories	3.14	-0.67
	Coca-Cola	2.48	0.06	Eaton	0.00	-0.56
	Simon Property Group	1.30	0.06	Merck & Co.	3.69	-0.53
All Cap Equity	Delta Air Lines	4.33	0.30	Eaton Corp.	0.00	-0.84
	Cardinal Financial	2.21	0.11	Ingersoll-Rand	2.68	-0.78
	Home Depot	2.68	0.09	Capital One Financial	3.76	-0.66
	American Campus Communities	0.00	0.07	Devon Energy	0.39	-0.59
	MEDNAX	3.82	0.04	Aetna	4.09	-0.58
Value	Delta Air Lines	3.30	0.23	Ingersoll-Rand	2.68	-0.79
	Home Depot	3.62	0.11	Eaton	0.00	-0.69
	Prologis	2.97	0.10	Applied Materials	2.69	-0.69
	Cisco Systems	2.03	0.05	Aetna	4.25	-0.61
	DIRECTV	0.00	0.02	LyondellBasell Industries	3.20	-0.61
International ADR	Volaris Aviation	1.84	0.15	Volkswagen	--	-0.47
	Imperial Tobacco Group	1.56	0.10	Mitsubishi UFJ Financial Group	2.73	-0.45
	Safran	--	0.09	Toyota Motor	3.35	-0.40
	KT	1.30	0.07	Aegon	1.56	-0.36
	Delhaize Brothers	--	0.07	Sumitomo Mitsui Financial Group	2.13	-0.32

\*As of Sept 30, 2015. The information provided above should not be construed as a recommendation to buy, sell or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice. Past performance does not guarantee future results. Please note that the holdings identified do not represent all of the securities purchased, sold or recommended for the composite. They are provided for informational purposes only. Eagle, its affiliates or their respective employees may have a position in the securities listed. Please contact your financial advisor to obtain the calculation's methodology and/or a list showing every holding's contribution to the overall composite's performance during the measurement period.

# EQUITY MARKETS FOCUS

## An argument for diversification

Annual returns for select key indices 1995 - 2014  
ranked in order of performance (% from best to worst)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Large Cap Growth	38.13	23.97	36.52	43.16	51.29	22.79	Small Cap Value 14.02	Bonds 10.26	Small Cap Growth 48.54	Small Cap Value 22.25	Int'l 13.54	Int'l 26.34	Mid Cap Growth 11.43	Bonds 5.24	Mid Cap Growth 46.29	Small Cap Growth 29.09	Bonds 7.84	Small Cap Value 18.05	Small Cap Growth 43.30	Large Cap Growth 14.89
Large Cap (broad)	37.58	22.98	Large Cap (broad) 33.36	Large Cap (broad) 28.58	Small Cap Growth 43.10	Bonds 11.63	Bonds 8.43	Small Cap Value -11.43	Small Cap (broad) 47.25	Int'l 20.25	Mid Cap Growth 12.10	Small Cap Value 23.48	Int'l 11.17	Small Cap Value -29.93	Small Cap Growth 34.47	Small Cap (broad) 26.85	Large Cap Growth 4.65	Large Cap Value 17.68	Small Cap (broad) 38.82	Large Cap (broad) 13.69
Large Cap Value	36.99	22.00	Small Cap Value 31.78	Int'l 20.00	Large Cap Growth 28.24	Large Cap Value 6.08	Small Cap (broad) 2.49	Int'l -15.94	Small Cap Value 46.03	Small Cap (broad) 18.33	Large Cap Value 6.33	Large Cap Value 20.81	Large Cap Growth 11.01	Small Cap (broad) -33.80	Int'l 32.46	Mid Cap Growth 26.38	Large Cap (broad) 2.11	Int'l 17.30	Mid Cap Growth 35.74	Large Cap Value 12.36
Mid Cap Growth	33.97	21.36	Large Cap Value 29.98	Mid Cap Growth 17.88	Int'l 26.98	Small Cap (broad) -3.03	Small Cap Growth -9.23	Small Cap (broad) -20.48	Mid Cap Growth 42.72	Large Cap Value 15.71	Large Cap (broad) 4.91	Small Cap (broad) 18.37	Small Cap Growth 7.05	Large Cap Growth -34.92	Large Cap Growth 31.57	Small Cap Value 24.50	Large Cap Value -0.48	Small Cap (broad) 16.40	Small Cap Value 34.52	Mid Cap Growth 11.90
Small Cap Growth	31.02	17.48	Mid Cap Growth 22.70	Large Cap Value 14.69	Small Cap (broad) 21.27	Large Cap (broad) -9.12	Large Cap Value -11.71	Large Cap Value -20.85	Int'l 38.59	Mid Cap Growth 15.48	Small Cap Value 4.71	Large Cap (broad) 15.79	Bonds 6.97	Large Cap (broad) -37.00	Small Cap (broad) 27.17	Large Cap Value 15.10	Mid Cap Growth -1.65	Large Cap (broad) 16.00	Large Cap Growth 32.75	Bonds 5.97
Small Cap (broad)	28.44	16.52	Small Cap (broad) 22.36	Bonds 8.68	Large Cap (broad) 21.03	Mid Cap Growth -11.76	Large Cap (broad) -11.89	Large Cap (broad) -22.10	Large Cap Value 31.79	Small Cap Growth 14.31	Small Cap (broad) 4.55	Small Cap Growth 13.35	Large Cap (broad) 5.49	Small Cap Growth -38.53	Large Cap (broad) 26.46	Large Cap (broad) 15.06	Small Cap Growth -2.91	Mid Cap Growth 15.81	Large Cap (broad) 32.39	Small Cap Growth 5.60
Small Cap Value	25.73	11.26	Small Cap Growth 12.93	Small Cap Growth 1.23	Large Cap Value 12.73	Int'l -14.05	Large Cap Growth -12.73	Large Cap Growth -23.59	Large Cap (broad) 28.68	Large Cap (broad) 10.88	Small Cap Growth 4.15	Large Cap Growth 11.01	Large Cap Value 1.99	Large Cap Value -39.22	Large Cap Value 21.18	Large Cap Growth 15.05	Small Cap (broad) -4.18	Large Cap Growth 14.61	Large Cap Value 31.99	Small Cap (broad) 4.89
Bonds	18.47		Bonds 9.68	Small Cap (broad) -2.55	Bonds -0.83	Large Cap Growth -22.08	Mid Cap Growth -20.16	Mid Cap Growth -27.41	Large Cap Growth 25.66	Large Cap Growth 6.13	Large Cap Growth 4.00	Mid Cap Growth 10.64	Small Cap (broad) -1.57	Int'l -43.06	Small Cap Value 20.58	Int'l 7.75	Small Cap Value -5.50	Small Cap Growth 14.59	Int'l 22.78	Small Cap Value 4.22
Int'l	11.21		Int'l 1.78	Small Cap Value -6.46	Small Cap Value -1.49	Small Cap Growth -22.43	Int'l -21.44	Small Cap Growth -30.26	Bonds 4.10	Bonds 4.34	Bonds 2.43	Bonds 4.33	Small Cap Value -9.78	Mid Cap Growth -44.32	Bonds 5.93	Bonds 6.54	Int'l -12.14	Bonds 4.21	Bonds -2.02	Int'l -4.90

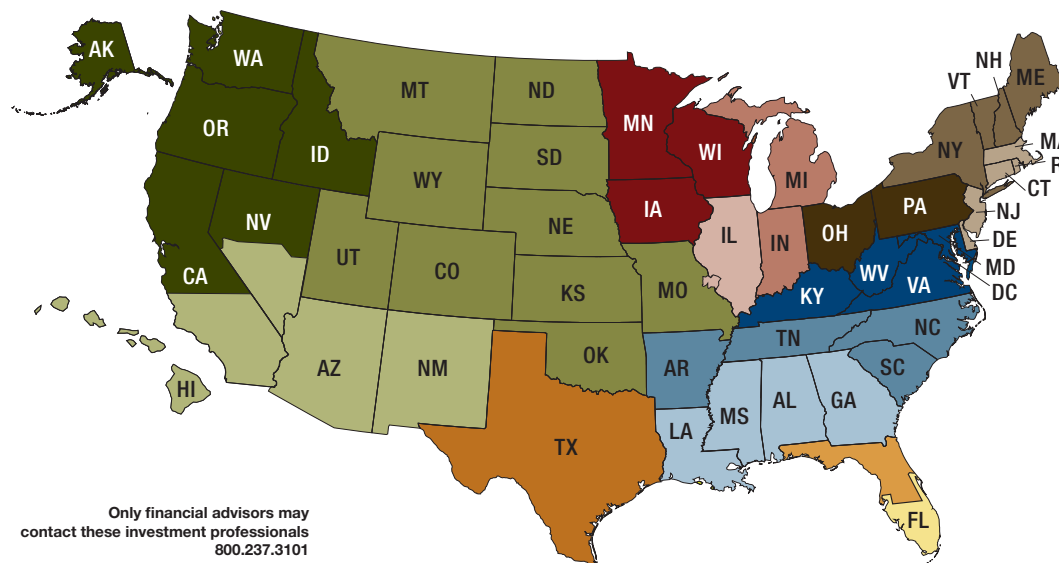
\*Source: Standard & Poor's, Frank Russell Co., Barclays and Morgan Stanley Capital International. See descriptions of indices on back.

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Contact Eagle at 727.567.8143 or 800.421.4184 or your financial advisor for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.



## Retail Platforms

# Eagle Sales Territories



Only financial advisors may contact these investment professionals 800.421.4184.

Richard Rossi, President  
and Co-chief Operating Officer

Kevin Starnes,  
Director of Retail Sales

Brian Freeman, CIMA®,  
Director of Internal Sales

Ralph Profeta, CIMA®,  
Sales Development Manager

### National Accounts:

Andrew Gottfried, CIMA®,  
Director of National Accounts  
Ham Moshell, Vice President  
Casey Ahern, Vice President  
Ryan Nail, Internal Sales

### DCIO Retirement Products:

Jay Natkow, AIF®, Senior Vice President,  
National Director of DCIO Sales  
Brett Burkhalter, AIF®, Regional Vice President  
Justin Beltran, AIF®, DCIO Internal Sales

### Region 1 - Ralph Primavera, CIMA®

- A - Justin Lauri, CFA
- B - Chad Stone
- C - Ralph Primavera

### Region 2 - Michael Buchanan

- A - Michael Buchanan
- B - Joe Centofonti
- C - Ben Hammel

### Region 3 - Pete Wehle, CIMA®

- A - Aaron Shapiro
- B - Julian Lane, CIMA®
- C - Ryan Gainsford

### Region 4 - Jack Van Dyke

- A - Jason Feinman
- B - Brian Meidlinger
- C - Ryan Steele, CFA

### Region 5 - Cassandra Christopher

- A - Will Taylor, CIMA®
- B - Duc Nguyen
- C - Jim Parrish

**Index Descriptions** | Index returns do not reflect the deduction of fees, trading costs or other expenses, which will affect performance. The index is referred to for informational purposes only; the composition of each index is different from the composition of Eagle Mutual Funds. Investors may not make direct investments into any index.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98 percent of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

The Russell Midcap Growth Index\* measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.\*

The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market.

The Russell 2500 Index measures the performance of the small- to mid-cap segment of the U.S. equity universe, commonly referred to as smid cap. The Russell 2500 Index is a subset of the Russell 3000 Index. It includes approximately 2,500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small- to mid-cap opportunity set.

The Russell 2000 Index\* is made up of the 2000 smallest companies in the Russell 3000 Index,\* representing approximately 10 percent of the Russell 3000\* total market capitalization.

The Russell 2000 Value Index\* is the segment of the Russell 2000 Index\* with a less-than-average growth orientation. Whereas the Russell 1000 style indices\* (growth and value) are categorized as being either entirely value or growth, the Russell 2000 style indices\* use a probability methodology that places many securities in both styles. As a result, a company's available market capitalization can be split between value and growth

in proportion to its respective probabilities. With this methodology, the combined market capitalization of the Russell 2000 Growth and Value indices\* will add up to the total market cap of the Russell 2000.\*

The Russell 2000 Growth Index\* is the segment of the Russell 2000 Index\* with a greater-than-average growth orientation. Whereas the Russell 1000 style indices\* (growth and value) are categorized as being either entirely value or growth, the Russell 2000 style indices\* use a probability methodology that places many securities in both styles. As a result, a company's available market capitalization can be split between value and growth in proportion to its respective probabilities. With this methodology, the combined market capitalization of the Russell 2000 Growth and Value indices\* will add up to the total market cap of the Russell 2000.\*

The Standard & Poor's 500 (S&P 500) Index is based on the average performance of 500 widely held common stocks. The index is a broad-based measurement of changes in stock market conditions. It is a capitalization-weighted index, calculated on a total return basis with dividends reinvested. The S&P 500 represents about 75 percent of the NYSE market capitalization.

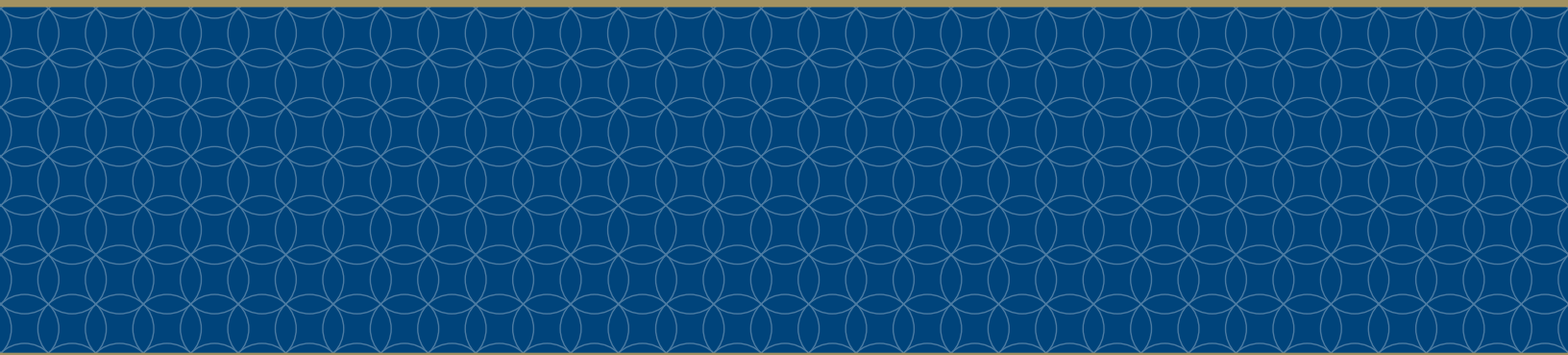
The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

The Barclays Aggregate Bond Index includes fixed-rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's or Fitch Investor's Service, in that order. All issues must have at least one year left to maturity and have an outstanding par value of at least \$100 million. The Aggregate Index is comprised of government/corporate, mortgage-backed securities and asset-backed securities indices.

The Barclays Capital Seven Year Municipal Index is the seven-year component of the Municipal Bond Index. The Barclays Capital 7 Year Municipal Bond Index is an unmanaged index comprised of investment-grade municipal bonds with maturities of six to eight years. The Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. Index returns do not reflect the deduction of fees, trading costs or other expenses. The index is referred to for comparative purposes only and the composition of an index is different from the composition of the accounts included in the performance shown. Indices are unmanaged and one cannot invest directly in the index.

\*The Russell 1000®, Russell 2000®, Russell 3000®, Russell 1000 Growth®, Russell 1000 Value®, Russell Midcap®, Russell 2000 Value® and Russell 2000 Growth® indices are trademarks of the Frank Russell Co.

1. References to specific securities are intended to illustrate the types of securities Eagle may hold in this portfolio. They are not intended as representations of specific investment recommendations that would have been profitable to an investor. Past performance is not a guarantee of future results.



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